

**St. Kitts & Nevis Sugar Industry
Diversification Foundation**

Financial Statements

December 31, 2007

(expressed in Eastern Caribbean dollars)

December 15, 2008

Independent Auditors' Report

To the Board of Councillors of
St. Kitts & Nevis Sugar Industry Diversification Foundation

We have audited the accompanying financial statements of St. Kitts & Nevis Sugar Industry Diversification Foundation, which comprise the balance sheet as of December 31, 2007 and the statement of income and expenditure, statement of accumulated fund and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Kitts & Nevis Sugar Industry Diversification Foundation as of December 31, 2007 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Chartered Accountants

St. Kitts & Nevis Sugar Industry Diversification Foundation

Balance Sheet

As at December 31, 2007

(expressed in Eastern Caribbean dollars)

2007
\$

Assets

Current assets

Cash (note 3)

17,558,862

Accounts receivable (note 4)

48,500

Total assets

17,607,362

Liabilities and Accumulated Fund

Current liabilities

Accounts payable (note 5)

3,329,152

Accumulated fund

14,278,210

Total liabilities and accumulated fund

17,607,362

The accompanying notes on pages 1 to 3 are an integral part of these financial statements.

Approved by the Board of Councillors on 15th December 2008.



Chairman



Councillor

St. Kitts & Nevis Sugar Industry Diversification Foundation

Statement of Accumulated Fund

For the period ended December 31, 2007

(expressed in Eastern Caribbean dollars)

	Accumulated Fund \$
Balance at September 15, 2006	-
Surplus for the period	<u>14,278,210</u>
Balance at December 31, 2007	<u>14,278,210</u>

The accompanying notes on pages 1 to 3 are an integral part of these financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Statement of Income and Expenditure

For the period ended December 31, 2007

(expressed in Eastern Caribbean dollars)

	2007 \$
Income	
Contributions	19,274,397
Interest Income	<u>353</u>
	<u>19,274,750</u>
Expenditure	
Processing fees	2,688,200
Marketing fees	1,666,684
Due Diligence fees	637,103
Professional fees	3,850
Finance charges	<u>703</u>
	<u>4,996,540</u>
Surplus for the period	<u>14,278,210</u>

The accompanying notes on pages 1 to 3 are an integral part of these financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Statement of Cash Flows

For the period ended December 31, 2007

(expressed in Eastern Caribbean dollars)

	2007 \$
Cash flows from operating activities	
Surplus for the year	14,278,210
Increase in accounts receivable	(48,500)
Increase in accounts payable	<u>3,329,152</u>
Net Cash generated by operating activities	<u>17,558,862</u>
Increase in cash	17,558,862
Cash - beginning of period	<u>-</u>
Cash - end of period	<u>17,558,862</u>

The accompanying notes on pages 1 to 3 are an integral part of these financial statements.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2007

(expressed in Eastern Caribbean dollars)

1 Establishment of the Foundation

The St. Kitts & Nevis Sugar Industry Diversification Foundation (the "Foundation") was established on September 15, 2006, pursuant to section 4 of the Foundation's Act 2003 of the Federation of Saint Christopher and Nevis, and commenced operations on December 13, 2007. The purpose of the Foundation is to research into the development of other industries to replace the sugar industry; to fund the development of these industries and to fund ongoing research and development to ensure the sustainability of these alternative industries.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The financial statements of the St. Kitts & Nevis Sugar Industry Diversification Foundation have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are prepared under the historical cost convention.

b) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks, and other short term highly liquid investments with maturities at acquisition of three months or less net of bank overdraft.

c) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

d) Contributions

The Foundation has been designated a special approved project for the purposes of the Government of St. Kitts and Nevis Citizenship by Investment Programme. Accordingly, persons making contributions at prescribed levels to the Foundation, are eligible to apply for citizenship by investment. Contributions are recognised as income when applicants are approved for citizenship by the Government.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2007

(expressed in Eastern Caribbean dollars)

2 Significant accounting policies ...continued

e) Taxation

In accordance with section 64 of the Foundation's Act 2003, the St. Kitts & Nevis Sugar Industry Diversification Foundation is not subject for assessment or liable to any tax in the Federation.

f) Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Eastern Caribbean dollars, which is the Foundation's presentation and functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are reported at the exchange rates prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the statement of income and expenditure.

3 Cash

	2007 \$
Cash at bank	<u>17,558,862</u>

Cash is held in bank accounts at the St. Kitts-Nevis-Anguilla National Bank and earns interest at rates ranging from 0% - 2% per annum.

4 Accounts receivable

	2007 \$
Due from Government	<u>48,500</u>

The accounts receivable represents an amount due from Government at December 31, 2007 and is interest-free, with no fixed terms of repayment.

St. Kitts & Nevis Sugar Industry Diversification Foundation

Notes to Financial Statements

December 31, 2007

(expressed in Eastern Caribbean dollars)

5 Accounts Payable

	2007
	\$
Due to Government	
Citizenship Processing Unit - Processing	2,688,200
Financial Services Department - Due diligence	637,102
Professional fees	3,850
	<u>3,329,152</u>

6 Financial instruments

The Foundation's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk. Management seeks to minimise potential adverse effects on the financial performance of the Foundation by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Councillors.

Foreign exchange risk

The Foundation is exposed to foreign exchange risk arising from various currency exposures. Such transactions are primarily in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since July 1976. The Board does not believe significant foreign exchange rate risk exists at December 31, 2007.

Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Foundation. The amount of the Foundation's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. The Foundation's financial assets which potentially expose the Foundation to concentrations of credit risk consist primarily of their receivables. The Board does not believe that significant credit risk exists as of December 31, 2007.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability of funding through an adequate amount of committed credit facilities. The Board does not believe that significant liquidity risk exists as of December 31, 2007.

Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. With the exception of cash, none of the Foundation's financial assets and liabilities are traded in a formal market. Estimated fair values are assumed to approximate their carrying values.